Voluntary Export Restraints End in 1985:

Should the U.S. Continue to Limit Japanese Imports?

The so-called Voluntary Export Restraint System (VER), which the United States has imposed on Japanese car makers, is scheduled to end in 1985. Will domestic manufacturers ask for another extension? If they do, and it is accepted, what effect will it have on U.S. manufacturers and on world trade?

Dr. Brian Hindley of the Trade Policy Research Centre and the London School of Economics has analyzed the impact that Voluntary Export Restrictions have on consumers, employment, and the economy of the country seeking protection from imports.

This article is based on Dr. Hindley's commentary, first published in ***The JAMA Forum****, a periodical of the Japan Automobile Manufacturers Association.*

One of the crucial questions Dr. Hindley raises is: Are these restraints beneficial and cost effective, or are they more political than economic?

As purchasers of hundreds of thousands of vehicles every year, this is a vitally important subject for NAFA members.

In industries such as textiles and clothing, steel, consumer electronics and automobiles, the governments of the western advanced industrial countries have moved away from free trade as expressed in the General Agreement on Tariffs and Trade (GATT). In its place, they have developed a system of bilateral deals between exporters and importers of particular goods that is known as the "Voluntary Export Restraint" system (VER).

"The central problem has been the rise of the Japanese producers to find price-quality combinations that have attracted a large and rapidly increasing number of buyers."

A voluntary export restraint occurs when the government of a country importing some product arranges with the government of an exporting country for a restriction on the volume of that country's exports of the product. Alternatively, the actual negotiation of the restraint may be handled by the import-competing and exporting industries themselves. This rarely occurs, though, without some rather considerable involvement by the governments of the two countries involved. I use the term "VER" to refer to any and all such arrangements.

The benefits of VERs to countries using them may seem obvious — as is often the case with protective devices. The costs typically receive less publicity. But the popular assessment of the benefits of a VER is likely to be a very substantial overestimate of true benefits while the costs, far from being negligible, are likely to exceed properly assessed benefits by a very substantial margin.

Moreover, while this statement is correct when only pure economic costs and benefits are taken into account, I shall suggest that the true costs of the emerging VER system extend far beyond the realm of pure economics. The major element of these super-economic costs is the threat that the VER system poses to free trade, which underpinned the massive expansion in trade and prosperity in the period following World War II.

I shall first discuss the effects of VERs, identifying costs and alleged

benefits. Then I shall look more closely at the true nature of the supposed benefits. Finally, I shall turn to what I have referred to as the super-economic costs of the shift to the VER system.

The Effects of VERs

The primary effects of VERs can be illustrated by reference to international trade in automobiles. The central problem for the Western European and North American motor vehicle industries — and for their governments, faced with the cajoling and threats of large and powerful labour unions and employers has been, of course, the rise of the Japanese industry and the ability of Japanese producers to find price-quality combinations that have attracted a large and rapidly increasing number of buyers to their models. Japanese shares in different markets in 1980 — the last year before a more widespread movement to VERs against Japanese vehicles — are given in Table 1.

The table shows a considerable disparity between the West European countries represented, those possessing major producing industries of their own display a much lower level of Japanese penetration. This could reflect a number of things, including an inherent preference of buyers for national output where this is available, or an ability of national industries to satisfy the particular requirements of their own countrymen. One thing it certainly reflects, however, especially in the cases of the United Kingdom, France and Italy, is the presence of trade restraints.

The extraordinarily low Japanese share of the Italian market is explained by Italian enforcement of a bilateral agreement entered into during the 1960's, which limited exports in either direction to 2,200 units per year. The United Kingdom has had a de facto VER with Japan since 1976, limiting Japanese exports to somewhere around 11 percent of the British market. In 1977, the French government made explicit its refusal to allow the Japanese share of the French market to exceed three percent.

The Japanese share of the unrestricted markets in the table varies from 10.3 percent in Germany to 31.3 percent in Denmark. A very rough, but also probably rather conservative, estimate of the share of the Italian, French, and British markets that Japanese producers would have been able to take in the absence of restraints is midway between those figures: 20 percent. This estimate suggests that the export restraints have had the effect of increasing the non-Japanese share of the Italian market by something on the order of magnitude of 20 percentage points; of the French market by 17 percentage points; and of the British market by nine percentage points.

Is this cost or benefit? The most obvious and direct benefit to Italy, France and Britain lies in the degree to which their domestic manufacturers were able to capture this artificially-induced increase in the share of producers from other countries than Japan. There may, of course, be a secondary, benefit insofar as purchases are switched from Japan to the industries of countries with whom members of governments wish to maintain particularly good relations. But this is a gain for politicians, not something that the man-in-the-street would or should be expected to regard as a benefit for which he might be prepared to sacrifice his freedom of choice.

TABLE 1.

Car Sales by Japanese Producers in 1980 (Percent)

Denmark	31.3	United Kingdom	12.3
Ireland	30.5	West Germany	10.3
Netherlands	26.6	France	2.9
Belgium and Luxembourg	25.2	Italy	0.1
United States	21.3		

Source: *The Economist*, London, 23 May 1981

On the other hand, he might be willing to make such a sacrifice for extra employment opportunities in the economy in which he is resident. From this point of view, therefore, the relevant benefit is the additional domestic employment generated by the VER.

"Purchasers are switched from Japan to the industries of countries with whom members of governments wish to maintain particularly good relations."

For a variety of reasons, however, this is a benefit of uncertain magnitude. There is good economic reason to believe that overall employment in the protected economy may fall as a result of the VER. The more immediately rele-

(Continued on page 10)

Voluntary Export Restraints

(Continued from page 9)

vant point is that there is a loss to be set against any gain — or non-gain — in domestic employment.

That loss derives from the fact that the VER imposes upon the exporting economy the requirement that it limit the volume of its exports below the level they would have if its exporting companies were given their head.

"If supplies from the exporter's home-base are restricted, he might be encouraged to establish production facilities within the restricted market, so escaping the restrictions."

Japan's automobile manufacturers must restrain themselves, or be restrained, from selling as many automobiles in Italy, Britain or France, and since 1981, in the U.S., Canada, Belgium, the Netherlands and probably Germany, than they otherwise would. Whether this is achieved by adjustment of prices or by adjustment of one of the many quality attributes that make a successful automobile, car buyers are likely to be worse off as a consequence of the VER restrictions. This implicit tax on one section of the community must in any proper assessment of VERs be laid against the gain to domestic producers of automobiles.

A second possible effect of a VER (or other trade restriction) is on the investment plans of restricted exporters. If supplies from the exporter's home-base are restricted, he might be encouraged to establish production facilities within the restricted market, so escaping the restrictions.

"A major advantage of the Japanese companies is said to lie in the discipline, diligence and reliability of Japanese workers."

In assembly operations, such as consumer electronics and vehicles, one consequence of VERs restricting Japanese exports to North America and Western Europe has been a heightened interest of Japanese producers in the possibilities of producing — or at least assembling — in Europe and the United States. The introduction of VERs in these industries has been accompanied by an increase in actual Japanese investment in local production.

There seems little doubt that, for many of those joining the outcry for protection, this effect on the investment plans of Japanese producers was a major intended outcome — as it was and is the objective of the threats of even further increases in protection should such Japanese investment not be forthcoming. The local content legislation proposed in the U.S. is a specific and spectacular example.

The advantages of Japanese investment to politicians concerned about jobs, and to union leaders concerned about membership, are obvious. There are also benefits for the European and American companies and their workers. A major advantage of the Japanese companies is said to lie in the discipline, diligence and reliability of Japanese workers. To separate the Japanese companies from that work force is to threaten to deprive them of a major competitive advantage.

Yet, while hobbling the Japanese producers might create European and American stability in their home markets, the bill for that stability is paid by purchasers of automobiles in the stabilized markets. One of their objectives in purchasing Japanese vehicles is to obtain the reliability that appears to stem from the use of Japanese labour. Possibly the Japanese companies will be able to obtain this quality in Western Europe and North America, even though European and American companies apparently have failed to do so. But the more likely outcome is that buyers of automobiles in those areas will be unable to obtain such quality, except at a very much higher price than in Japan. Moreover, particularly in Western Europe, car buyers are likely to be taxed directly in order to provide subsidies for the construction of the local plants that will produce these more expensive versions of Japanese models.

Whatever the outcome of this process, however, it is clear that on present trends, political considerations will play a larger role in the global allocation of motor vehicle production than the preferences of buyers of automobiles and trucks.

Benefits of VERs

The primary benefit of a VER must lie in its effect on employment in the protected economy. The magnitude of that gain is very uncertain, and so far as

overall employment in the economy is concerned, may even be negative.

Three reasons for the dubious magnitude of the employment gain, even in the industry protected by a VER, are obvious and straightforward — though they are also, for obvious reasons, invariably neglected by an import-competing industry's publicists in the political campaign designed to lead to a VER. These three are:

(1) that the replacement of restricted by unrestricted foreign sources of supply may be close to complete, so that the domestic industry gains nothing. It is widely thought that this was the effect of the British VER on automobiles from Japan: that the effect was to cause an increase in British imports from elsewhere in Europe of roughly the same magnitude as the decrease in Japanese exports to the U.K.-British Leyland (presumably the intended beneficiary of the VER) gained little or nothing from it;

(2) as VERs proliferate, it will often happen that the effect of one is to limit the effectiveness of another. For example, EEC and U.S. restraints on steel imports, which have the effect of raising steel prices in the U.S. and Community markets, raise the cost of producing automobiles in the U.S. and Europe. This negative link may operate through other less direct channels. An increase in the price of items such as automobiles, steel or clothing, which are important in the cost of living, will add to the determination with which labour unions seek wage increases;

(3) finally, exporters restricted in their access to some markets have a strong incentive to increase their efforts in those that remain unrestricted. As a result of the VERs limiting access to the European and American markets, it must be expected that the Japanese share of unrestricted markets will increase more rapidly than would otherwise be the case, replacing exports from those countries which have restricted access to their home markets.

If these facts were more widely understood, it is hard to believe that a policy of protection by VER — or by any other means — would recommend itself to the public at large. The truth is, however, that the facts are not widely understood. The gains to members of the protected industry are visible and seem obvious. The losses imposed on buyers of the protected good are much less obvious; and the losses in employment opportunities elsewhere in the economy are invisible,

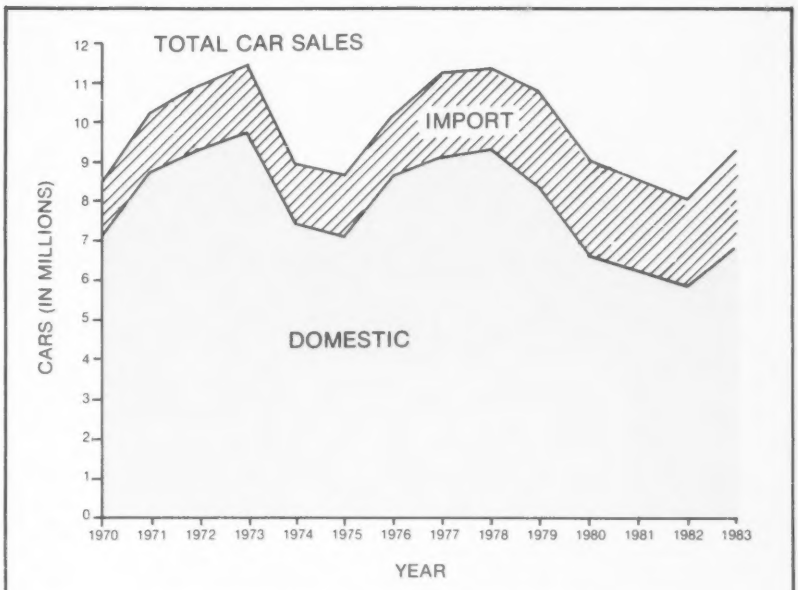

Fig. 2.1 Total Retail Car Sales, Selected Years 1970-83.

Source: *Transportation Energy Data Book*, Edition 7, Oak Ridge National Laboratories

at least in the sense that they are not attributed to protection and do not weigh at all in the public consciousness.

The growing VER system poses a major challenge to the central GATT principle — that of non-discrimination. The GATT offers Article XIX for the purpose of which a VER is typically used: that of protecting an industry 'threatened' by imports. But protection applied under Article XIX must be non-discriminatory; it must apply equally to imports from all sources. Presumably one advantage of a VER — as seen by the government of the importing country — is that it can be applied to some sources of imports without the necessity of applying restrictions to others.

"The supposed short-term advantages of VERs are more political than economic and more apparent than real."

Yet why should this be considered an advantage? One might take many attitudes toward the pleas of a company or industry losing out to competition from elsewhere, including the attitude that it is the responsibility of members of the industry or company to put their own house in order rather than their right to receive what is, in effect, a sub-

(Continued on page 41)

Future of Public Transportation:

Cooperation, Coordination and Commitment Can Solve Highway, Bridge Problems

The American Association of State Highway and Transportation Officials' (AASHTO) Task Force of Future Directions for Public Transportation was organized to examine the public transportation industry, identify problem areas, and recommend policies to mitigate existing and future problems.

The recommendations are based on an evaluation of current conditions and forecasts of economic and social conditions. Implementation of the recommendations can be achieved in various ways, according to AASHTO. For some, legislative action will be required; for others, joint action by participants in the industry will be necessary. In all cases, effective cooperation and coordination will be the keys to success.

The public transportation industry is in a dynamic state of transition, AASHTO points out. A successful transition will depend on new techniques, procedures, and attitudes.

As you well know, fleet cars travel hundreds of millions of miles per year on our nation's highways. As major users of this transportation system, fleet managers must be vitally concerned with the recommendations on how to improve the highway system.

Since its inception in 1916, the Federal Aid Highway Program has been based on the philosophy of providing federal assistance to state-administered highway programs. A nationwide network of surfaced roads was a national priority, and states lacked financial and technical resources to provide a national highway system, state highway systems, and local road systems, without coordination and assistance.

With passage of the Federal-aid Highway Act of 1921, the federal-state partnership of today began to take shape. The purpose of the Act was to use federal aid to provide a highway network that would connect the nation's principal cities and towns and tie in with state and local highways, roads, and streets. This inter-city highway network, which became the Primary System, required state-to-state continuity and uniformity in design and construction standards. During the 1920's and 30's the nationwide effort to complete the new Primary System nurtured and reinforced the developing federal and state partnership.

From that beginning, other major federal initiatives evolved. A national system of feeder roads was needed to get farm products to market, and the Secondary System was born. A growing concern for urban roads, in turn, led to Urban Extensions of the Primary System.

By the 1940's, travel had increased to the point where congestion and higher speeds from improved automobiles were bringing about serious accident problems, increasing concerns for the safety of the motorist. Geometric standards for enhanced safety were developed and a uniform accident reporting system was begun.

"Major rehabilitation and reconstruction were required to improve safety and to restore the Interstate System to intended service levels."

Perhaps the most significant milestone came in the 1950's when attention turned to interstate commerce and defense. In 1956, the Federal Highway

(Continued on page 14)

Future of Public Transportation

(Continued from page 12)

Trust Fund was established, and that reinforced the national policy to complete the Interstate System, which had been originally authorized in 1944.

During the 1960's, the Federal Aid Highway Safety Act was passed, outlining a series of safety standards addressing the operator of the vehicle as well as the highway facility. The American Association of State Highway and Transportation Officials responded to this nationwide concern with the development of operational guides for the enhancement of safety along the highway system.

Highway designers recognized nationwide concerns over accidents, and the need to provide greater safety. During this time, standards for providing a more forgiving roadside, largely clear of hazardous objects, were developed and implemented. Provisions of the forgiving roadside, along with construction of the Interstate System, continued to provide greater and safer mobility for automobile travel.

Over the years the Federal-aid Highway Program has produced many benefits:

- A federal-state partnership was created which, withstanding the test of 70 years, has served as a model for government programs by demonstrating an effective, working example of a federally assisted, state-administered program.
- Professional expertise created in state highway departments enabled the states to plan, develop, and construct the finest highway system in the world.
- Personal mobility was substantially enhanced.
- Defense, a key national issue, was addressed from a transportation perspective.
- The highway system assisted the growth of the national economy.
- Highway construction generated employment.
- Highways provided a cost-effective choice for interstate travel and transport and made possible today's motor carrier industry.
- User tax bases were firmly established and, until the fuel problems of the 1970's, provided stable, growing revenues.

A Program For America's Highways in the 80's

The Federal-aid Highway Program and the federal-state partnership that had succeeded so well for more than half a century faced an uncertain future. The program's financial foundation, the Federal Highway Trust Fund, was slated to expire in 1984. Spiraling highway construction costs had reduced the Fund's effectiveness, and its major revenue source, the gallonage-based gasoline tax, was being greatly **affected** by increasing fuel-efficient vehicles. The unfinished Interstate System lagged behind schedule, with the cost of completion rising faster than projects could be contracted.

Portions of the Interstate System had lived beyond their design lives and were deteriorating rapidly. Major rehabilitation and reconstruction were required to improve safety and to restore the Interstate System to intended service levels. In addition, conditions and service levels on the nation's Primary System were rapidly deteriorating. Many of the nation's bridges had reached an age where their structural capacity and functional design were raising concerns.

The Surface Transportation Assistance Act of 1982

The Surface Transportation Assistance Act of 1982 (STAA) was generally recognized as landmark highway legislation. It reaffirmed the national commitment to the Interstate System through increased authorizations and restatement of the 1990 completion date. To preserve the existing Interstate System, a tenfold increase was provided in Interstate 4R authorizations for system-wide rehabilitation. Rehabilitation of non-freeway roads was encouraged in a manner that enhances highway safety and extends the service life of the highway.

"Many of the nation's bridges had reached an age where their structural capacity and functional design were raising concerns."

The concepts of user financing and equity were reaffirmed. The STAA extended the Federal Highway Trust Fund, while new and revised user taxes promised continued program stability over the next several years. A five-cent-per-gallon tax increase on fuel was coupled with modified truck taxes to provide a 50 percent increase in the Federal-aid Highway Program.

The 50 percent increase in federal highway funding, coming at a time when millions of Americans were feeling the strain of economic recession, had a positive effect on the nation's recovery. During the first year of the STAA, approximately $1 billion per month was put to work by states, resulting in significant progress in preservation, improvement and safety enhancement of America's highways. Additionally, the STAA assisted many states in their ongoing efforts to obtain increased revenues at the state level. Significant increases in state highway user fees were required to match greater amounts of federal funds, but also to more

(Continued on page 16)

Summary of Recommendations

System of National Significance

- A System of Highways of National Significance should be designated to include the Interstate System, Primary System and bridges on all current federal-aid systems.
- The Federal Highway Trust Fund should be extended indefinitely to provide permanent, predictable and adequate funding for rehabilitation, restoration, reconstruction and resurfacing of the proposed System of Highways of National Significance.
- Users of the nation's highways should pay their proportionate share for the construction and preservation of those facilities used. Consideration of any future highway user fee changes should be based on this philosophy of equity and should be consistent with findings of the Federal Cost Allocation Study, as supported by AASHTO.

The Interstate Program

- The currently defined Interstate Highway System should be completed by 1990, with no further expansion or substitution withdrawals. Authorizations should be set at levels to accomplish this national goal, at current match ratios.

The Bridge Program

- The existing Bridge Replacement and Rehabilitation program for bridges on federal-aid highway systems should be continued.

Funding Alternatives

- All fuel tax exemptions for gasohol, methanol and special fuels should be eliminated by 1985. If federal policy retains such subsidies, they should be financed from general revenues, not the Federal Highway Trust Fund.
- A federal fuel tax index, based on fuel consumption changes and cost index changes, should be implemented to ensure a constant purchasing power of current tax revenues.
- Fifty percent of revenues to the Mass Transit Account should continue to be distributed on a discretionary basis for high cost urban transit projections; the remaining 50 percent should be returned to states in proportion to their contribution to the Account, for mass transit capital investment and urban improvements.

Future of Public Transportation

(Continued from page 14)

adequately respond to increasing requirements of the federal aid system.

The Federal Highway Program Today

While the STAA moved strongly to help meet needs and demands of the nation's highways, the Act was not all-encompassing. For example, deteriorating highways and bridges that were built over the decades presented too large a problem to be solved during a four-year period. The 1982 STAA also led to some problems for the highway program:

- Longer and wider trucks were allowed on a designated network of main highways, in response to the demands of commerce. However, segments of the existing highway system are inadequate to accommodate the vehicles safely, and will require extensive ramp reconstruction and lane widening in many states to correct. Costs of these improvements have not been calculated, but are anticipated to be substantial.
- Heavy trucks were allowed on more miles of highway to permit more economical movement of freight, but this increased heavy truck traffic will accelerate the deterioration of these highways.
- Federal tax exemptions for gasohol and certain other fuels were continued, denying the Federal Highway Trust Fund of these potential revenues. This continuation also diminished the stature of the federal government as an effective highway user fee collector.

Our highways and bridges serve too critical a purpose to be allowed to deteriorate to unsatisfactory, unsafe service levels. The best engineering management techniques must be employed to assure maximum benefit from available revenues, and the procedures and regulations surrounding the Federal-aid Highway Program should be reviewed and revised to help make this possible. An appropriate balance of federal, state, and local commitment must be achieved to meet the diverse highway needs of national, state and local importance. Revenues from each level of government must be used to their best advantage to complement each other in providing an effective solution to our highway problems.

Safety must remain a vital part of the nation's highway program. Research must address the needs of the highway system to accommodate the increasing traffic mix of smaller, lighter automobiles alongside the heavier, longer, and wider commercial vehicles.

As the nation continues its growth, vehicle miles

(Continued on page 18)

Future of Public Transportation

(Continued from page 16)

of travel will continue to increase. Throughout the highway program, a direct relationship has clearly been established between increased vehicle miles and decreasing safety. Efforts must continue to identify and resolve unsafe operational characteristics of roadways.

Table I represents the total estimated highway investments that will be required at the federal, state and local level to attain the service levels just described for the Federal-aid Highway System. The depiction on the same table of both federal aid currently authorized for 1986 and total highway investment requirements reveals present federal priorities among the systems, and underscores that meeting total highway requirements is more than just a federal responsibility.

"Our highways and bridges serve too critical a purpose to be allowed to deteriorate to unsatisfactory, unsafe service levels."

Over the nine-year period from 1987 through 1995 there will be between $26 billion and $30 billion per year required in highway investment on the Federal-aid Highway System, apart from other highway requirements at the state and local levels. These estimates are conservative, because many states believe that the HPMS has not adequately recognized required improvements on the Interstate and Primary Systems to provide ride quality and service levels that are acceptable to the traveling public. As a result, the figures in Table I do not indicate the full magnitude of resources which may be required for the existing Federal-aid Highway System.

The highway needs represented in the table also do not include resource demands created by the 1982 Act, which established a nationally designated system for the operation of motor trucks, and mandated that truck-trailer combinations, including 48-foot-long semi-trailers and trucks up to 102 inches in width, be allowed by all states on this designated system.

"Revenues from each level of government must be used to their best advantage in providing an effective solution to our highway problems."

In order to safely accommodate the longer and wider vehicles, the designated truck route system in many states is in need of significant geometric and other improvements, including lane widening, ramp reconstruction and approach road modification. The total cost resulting from this mandate is not yet known, but states are now completing a review of their portion of the designated system to calculate the cost.

There are additional factors that weaken existing revenue sources which, to a large extent, are now based on gallons of fuel consumed. Increasing fuel-efficient vehicles are helping reduce fuel consumption per mile of travel. This trend decreased revenues going to the Federal Highway Trust Fund from gallonage taxes and also decreases revenues being collected by states for

Table I
Estimated Total Required Highway Investments
(Billions)

	Fed. Funds Authorized 1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Interstate Comp.	$4.0	$4.3	$4.5	$4.7	$4.9	$ .6	—	—	—	—
Interstate 4R	3.2	3.4	3.5	3.6	3.8	3.9	4.1	4.2	4.4	4.6
Primary System	2.5	5.0	5.2	5.4	5.6	5.8	6.1	6.3	6.5	6.8
Bridges	2.1	5.2	5.4	5.7	5.9	6.1	6.4	6.6	6.8	7.1
Secondary System	.7	4.5	4.7	4.9	5.1	5.3	5.5	5.7	6.0	6.2
Urban System	.8	3.2	3.4	3.5	3.6	3.8	3.9	4.1	4.3	4.4
Safety Program	.4	.4	.4	.5	.5	.5	.5	.5	.6	.6
Total	13.7	26.0	27.1	28.3	29.4	26.0	26.5	27.4	28.6	29.7

NOTE: In addition to the 1986 authorized amounts shown, approximately $1.8 billion is authorized for Interstate Substitution, Federal Lands Highways, Emergency Relief, 85% Minimum Allocation, and Demonstration Projects.

Inflation is included at 4% per year.

Source: Federal Highway Administration data and information.

their highway funds. The national policy to conserve fuel has been effective for this purpose, but at the same time has reduced the vitality of federal and state highway trust funds.

There are also several special fuels or mixtures, such as ethanol and methanol, that benefit from tax exemptions in order to stimulate production and consumption. These exemptions exist in many states, as well as the federal level.

While the reduced market prices for tax-exempted fuel may be attractive to the consumer, consumers of such fuels are not paying a fair share for the highways they subsequently use and benefit from. The Federal Highway Trust Fund is not made whole, and the production of tax-exempted fuels is thus subsidized indirectly by all highway users who do pay their fair share of user taxes. The gasohol exemption alone will have cost the Federal Highway Trust Fund an estimated average of $0.7 billion per year through 1995.

National policies for fuel efficiency, conservation and stimulation of production of alternate fuels are well known. What is overlooked in many cases is the impact of these policies on this nation's successful highway program. A strong national highway program cannot survive over an extended period of time if other national policies continue to weaken existing revenue sources and exacerbate an already critical funding situation.

State and Local Funding

Historically, total expenditures for highways by all levels of government have grown dramatically. Since 1965, total expenditures have grown 6.4 percent per year, from approximately $14 billion to $39 billion. The greatest increase has been in local government expenditures, with almost an 8 percent increase per year. State expenditures account for the second highest increase, 6.3 percent per year, with federal expenditures increasing 5.7 percent per year.

The data presented in Table II represents the total expenditures made on all highways both on and off the Federal-aid Highway System, and includes maintenance, operations, and capital improvements. The major point of this table is to demonstrate that federal, state and local governments devote substantial financial resources to all our nation's highways, not just the Federal-aid System, and that state and local governments together have by far the greatest share in total highway expenditures.

A major shift in highway program emphasis has occurred as construction decreased while maintenance became more critical to preserving existing facilities. In 1970, capital improvements accounted for 56 percent of our highway expenditures, but in 1982 that share dropped to 44 percent. The requirement to increase maintenance has diverted funds needed for highway construction, compounding the highway funding problem.

Table II
Total Federal-State-Local Highway Expenditures
(Billions)

Year	Federal	State	Local	Total
1965	$ 4.1	$ 7.1	$ 2.3	$13.5
1970	5.2	11.0	3.4	19.6
1975	7.2	14.3	5.7	27.2
1980	12.0	19.0	9.0	40.0
1982	10.5	20.0	8.4	38.9
Overall Increase	155%	183%	271%	189%
Per Year	5.7%	6.3%	7.9%	6.4%

Source: Federal Highway Administration Statistics

System of National Significance

The Federal-aid Highway Program is at a crossroads, requiring a reevaluation of its purpose. Fragmentation in the program caused by irregular, unpredictable funding, special project funding and highly specialized categories of narrow interest, defeats establishment of the continuing

(Continued on page 22)

BAYER Cadillac

Conveniently located only 1 minute from the 59th Street Bridge

Competitive Fleet Pricing

Courtesy Deliveries Nationally

Contact Lois Lane
718-786-3500

37-15 Northern Blvd.
Long Island City, New York, N.Y. 11101

CADILLAC SETS THE STANDARD FOR THE WORLD... BAYER SETS THE STANDARD FOR CADILLAC

Future of Public Transportation

(Continued from page 19)

sense of national purpose necessary to sustain support for the Federal-aid Highway Program. A national consensus on a common purpose needs to be established as we move into the future, if the federal program is to survive.

The current Federal Aid Highway System contains 850,000 miles of roadway and serves 80 percent of the total national travel. Because of the predominant nature of these highways in our total system, and their role in the economic well-being of this nation, it is clearly in the national interest to protect and preserve them. The federal government continues to have a major role and responsibility to construct and preserve highways of national significance.

A System of Highways of National Significance

A System of Highways of National Significance should be designated and funded consistently which would: serve interstate travel; connect principal metropolitan areas and major industrial areas; provide continuous and integrated statewide networks; and provide for higher levels of service and safety in handling heavier and larger capacity trucking.

Rather than the current practice of spreading limited federal aid inadequately among more and often conflicting demands, this approach would concentrate resources toward project requirements of national importance.

Federal Highway Trust Fund

In 1956 the Federal Highway Trust Fund was created to help finance the Interstate Highway System, and also to provide revenues to other federal-aid highways. It has become apparent that the system of highways created through Federal Highway Trust Fund revenues will require extensive, on-going preservation and reconstruction of they are to retain their serviceability. Given the national nature of the major highway systems of this country, the federal responsibility for preserving such highways continues beyond construction and should include on-going preservation and reconstruction.

The Primary Program

The Primary Highway System consists of approximately 250,000 miles, not counting the mileage of the Interstate Highway System. Much like the Interstate System, Primary System highways serve as major routes of travel through and between national and state regions. Because of this role, they receive a great amount of travel. They face a future of deterioration unless the necessary capital investment is made to retain their serviceability and usefulness. It is in the national interest to adequately protect and preserve the use of our Primary System highways.

Fuel Tax Exemptions on Gasohol and Methanol

At both federal and state levels, the fuel tax exemption for gasohol, methanol, and other special fuels has made a significant impact on highway user revenues. The use of these fuels has been increasing, and as exemptions also increase, the tax revenues from these fuels is decreasing. In 1983 the federal 5-cent gasohol exemption cost the Highway Trust Fund an estimated $220 million. The current 6-cent exemption, if continued through 1995, will result in a total loss to the Federal Highway Trust Fund of $7.5 billion between 1983 and 1995. The average annual cost to the Highway Trust Fund of gasohol tax exemptions is $.6 billion per year from 1987 to 1990. The overall average from 1987 to 1995 would be approximately $.7 billion per year.

Indexing Fuel Taxes

Indexing of fuel taxes for inflation and increasing engine fuel efficiency can produce a dependable method for stabilizing the purchasing power of taxes. This in turn produces a constant program level, in terms of funding, and enables a more objective analysis of whether or not a program level should be increased without trying to adjust for inflation and engine fuel efficiency increases at the same time.

The greatest advantage to indexing fuel taxes is to protect them from inflation. If an indexing of federal fuel taxes against inflation were to be implemented, the estimated total federal taxes it would produce would be $5.2 billion from 1987 to 1990.

Value-Added Tax

A value-added tax could be adopted that would raise new revenues from highway users. A one percenter value-added tax on gasoline, for example, would be one percent of the gallon price times the number of gallons sold. For gasoline at $1.30 per gallon, the one percent value added tax would be 1.3 cents per gallon in added revenues.

Toll Roads

The selection of toll roads, setting of toll rates, collection, administration and spending of toll revenues should be administered by an agency, such as a state transportation department or a non-autonomous commission, authority, or board. Tolls should be viewed as a supplement to federal aid. In particular, blending of federal, state, local, and toll revenues is an option that should be available to the states, especially for new construction.

Motor Fuel Tax

The federal motor fuel tax rates were increased

(Continued on page 30)

June Quinn

(Continued from page 26)

committee consisting of her immediate superior, a sales representative and a regional manager. "The employees cannot take it out on only one person if they do not like what they get," she says laughing.

Contrary to many companies in these hard times, Pfizer spoils their employees. "In many cases, the employee's car is his office. If so, it has to be comfortable and safe."

The company offers a choice of eight compact models, generally with all the options. For the managerial staff, a specific amount is granted. In making her selections, June weighs a number of factors, such as the cost of operating the vehicle, the servicing and, finally, the cost to the company and the employee. "With the new tax laws, we can no longer overlook this last item," stresses June.

Prevent Car Accidents

Safety is uppermost at Pfizer. Before hiring an employee, the personnel department will evaluate his driving habits; the candidate will then be asked to follow a safety driving seminar. A first aid kit, a fire extinguisher, and flares can be found in every car. "We are also thinking of offering a refresher course every three years in order to remind drivers of the importance of safe driving."

June Quinn knows that choosing cars for company employees is a very difficult task.

Since the company also handles claims, a second committee reviews every accident and will deal severely with any repeat offenders, as a matter of controlling insurance premiums. "We will ask the employee to take the course over or, in serious cases, he will have to pay for the cost of repairs or furnish his own car."

Women Prefer Smaller Cars

Pfizer does business with two rental companies who handle the repairs. "We now offer smaller cars to our representatives. Women, who make up a growing percentage of our sales force, tend to prefer them," says June.

Almost half of the cars are changed every year when the odometer reaches 60,000 kms. Many cars will be bought by the employees, another very appreciated advantage. "We do not make all the money we could when selling these cars," explains June. "We find that the employees take better care of their cars since they will eventually keep them."

June admits her interest in cars grew with her work. She finds the field more and more captivating as things get more complex. ■

Future of Public Transportation

(Continued from page 22)

in the 1982 Act for both gasoline and diesel fuels. Subsequent changes in the diesel fuel tax rates raised it to 15 cents per gallon, while gasoline remained at 9 cents per gallon. Gasohol is taxed at 3 cents per gallon.

With current consumption patterns for fuels, it is estimated that for each 1-cent increase in federal tax rates, the resulting revenues to the Trust Fund will be about $1.1 billion per year.

Since states have fuel taxes of their own, increases in the federal fuel tax decrease, to some degree, the ability of states to raise their fuel taxes. It is for this reason that no increase in federal fuel taxes is recommended at this time.

Federal Weight-Distance Tax

Based on information from the Federal Highway Cost Allocation Study, the existing set of taxes and fees for trucks does not achieve an adequate level of equity among the classes of users. This concern has prompted the evaluation of alternatives to the current tax structure. AASHTO conducted a thorough study of the most promising alternatives and found that truck taxes based on a combination of weight of vehicles and the distance they travel is the most equitable means of taxation, with respect to costs imposed on the highway system, and is efficient in administration.

In addition, it should be attractive to trucking firms since it involves periodic payments based on actual use. Several states have established weight-distance taxes that are working well and have reasonable administrative costs and reporting requirements. Other states also have mechanisms in place for carriers to report heavy truck weight and mileage information that is needed for a weight-distance tax.

Recommendation: A federal weight-distance tax should be substituted for the heavy vehicle use tax and all other federal user fees on trucks except for a federal fuel tax levied at the same rate as on all other vehicle classes. The truck tax structure should be designed to yield revenues at least equal to the existing structure of taxes and to provide equity among different classes of users to the greatest extent possible. ■

Please refer to Chevrolet Dealer Service Bulletin Number: 85-3.

Electrical or Vacuum Operated Equipment

The Electronic Control System and Throttle Body Injection (TBI) engines are designed to work with the electrical system provided in the vehicle. The addition of any electrical or vacuum-operated equipment or accessories not offered as original equipment or as a factory approved option can adversely affect the operation of the fuel injection system and engine performance. Equipment operated by vacuum can also affect driveability as it allows unmeasured air to enter the engine, which can affect fuel/air ratios.

Please refer to Chevrolet Dealer Service Bulletin Reissue Number: 84-167, Pontiac TSB Number: 84-8-18.

Multi-Ported Fuel Injected Engines

Fuel lines on all multi-ported fuel injected systems operate at a higher fuel pressure than carbureted engines or throttle body injection systems. Should any fuel hose used with this engine require replacement, it should be ordered from a General Motors parts warehouse. No attempt should be made to make field repairs.

The NAFA Hotline does not recommend or approve of any materials, equipment, or services not previously approved by the vehicle manufacturers or appropriate governmental agencies. ■

Voluntary Export Restraints

(Continued from page 11)

sidy, financed by an implicit 'tax' in the form of higher prices paid by purchasers of the protected good. But, accepting that imports are going to be restricted, why not use a tariff to restrict imports from all sources (so that the government of the importing country receives tariff revenue rather than exporters at a higher price) and allow the most competitive exporters to capture market share from the less competitive? Note again that in the VER system, it is the most competitive exporters who are typically restricted — and this confers a benefit on less competitive exporters who are not restricted. European producers of automobiles gain in the U.S. market as a result of the VER restricting Japanese automobile exports to the U.S.

There is another political "advantage" of the VER system. This is its lack of transparency. Because a VER can range from a gentleman's agreement or a "market forecast" to a quite highly formalized document, it is difficult or impossible to know all of the industries in which VERs exist, or between which countries. Moreover, the mere threat that a VER will be requested — a threat which becomes more credible as the system takes hold — may be restrictive insofar as exporters exercise a caution that they would not otherwise display. But, at least as important from a political point of view, the effects of a VER are often obscure to buyers of the protected good, on whom the costs of the VER, in fact, fall. Hence, the shift to the VER system facilitates the giving of gifts by governments by concealing or obscuring from those who will ultimately pay for the gift the fact that they are doing so.

The shift from the GATT system to the VER system is ultimately a shift of power. When decisions as to what should be imported and from whom are made on political rather than economic grounds, the question determining what is imported is no longer simply 'Which shirt do I prefer?', as is the case with a private buyer, but 'Who has power?' or 'Which country can retaliate if its shirt exports are reduced?' or 'How much can the ABC Shirt Company contribute to party funds?' A country in which shirt imports or steel, or TV, or automobile imports are determined by the preferences of buyers is a different place from one in which imports are determined by the preferences of politicians.

"There is good economic reason to believe that overall employment in the protected economy may fall as a result of the VER."

The risks inherent in moving to such a system would suggest caution, even if there were real short-term economic gains from the use of VERs. In fact, even the supposed short-term advantages of VERs are more political than economic and more apparent than real. Under that circumstance, to accept the risk of chaos in the long-run seems a very high order of foolishness. ■

21342 - 16735-1

NAFA
Bulletin
The Magazine for Plant Administrators
February 1965

A MILESTONE IN NAFA HISTORY:

NAFA ENROLLMENT PASSES 2,500

Official Monthly Publication of
The National Association of Fleet Administrators, Inc.
295 Madison Avenue, New York, N.Y. 10017
Telephone: 212-689-3200

Executive Director
ROBERT BERKE

Director of Publications
LYNNE WARSHAVSKY

Assistant Editor
LORI A. McDONOUGH

Legal Counsel
WILLARD H. DaSILVA

NAFA Bulletin

The Magazine for Fleet Administrators
February 1985

Cover design by: Cindi Samol

FEATURES

6 **NAFA Enrollment Passes 2,500 Mark — A Milestone in NAFA History**
The outstanding efforts of NAFA's Chapter Chairmen have helped NAFA to reach new heights, with total enrollment of members and affiliates now surpassing the 2,500 mark.

6 **Iacocca is Keynoter at NAFA's Annual Conference**
Chrysler's Chairman Lee Iacocca will be the keynote speaker for NAFA's 28th Annual Conference, scheduled for June 1-5 in Boston, Massachusetts.

8 **530 NAFA Members and Affiliates Pledge Support of Recommendations To Stop Odometer Tampering**
530 members and affiliates of NAFA responded to a Special Bulletin regarding the elimination of odometer tampering and indicated their willingness to comply with NAFA's suggested policies to fight the crime.

10 **NAFA's Personal Use Survey Results Reveals: Most Fleets Pay Drivers 20¢ for Business Use of Personal Car**
A total of 407 fleets operating 264,905 passenger cars participated in NAFA's Annual Survey which shows that eight out of 10 U.S. fleets reimburse drivers 20¢ or 20½¢ for business use of personally owned cars.

30 **Your Drivers Can Avoid Intersection Accidents**
Many intersection impacts are caused by simple carelessness or poor attention to other motorists. This article will remind your drivers of basic rules of the road that will help them avoid such unnecessary accidents.

DEPARTMENTS

7 Letters
34 Management
36 Hotline
42 NAFA Foundation News
44 Wholesaler/Broker Directory
45 Directory of Auto Auctions
49 Directory of Fleet Car Dealers

NAFA's Personal Use Survey Reveals:

Most Fleets Pay Drivers 20¢ for

NAFA Exclusive

A total of 407 fleets, operating 264,905 passenger cars, participated in NAFA's annual Personal Use Survey. Among the responses are 307 from commercial fleets in the United States, 21 public utility fleets, and 32 government fleets. The Canadian section of the survey consists of 47 fleets.

Although this survey is known as the Personal Use Survey, it actually contains information on four specific fleet management areas: 1) personal use of company-provided vehicles; 2) criteria for assignment of company cars; 3) reimbursement for use of personally owned cars for business, and 4) compensation or sale of cars to employees who no longer qualify for a company-provided vehicle. Each of the four subjects is covered within the individual industry grouping.

Survey Highlights

- Nearly eight out of 10 U.S. fleets reimburse drivers 20 or 20½ cents a mile for business use of personal cars.
- One out of three U.S. fleets now charge more than 15 cents a mile for personal use of the company car.
- For the first time, more companies use a flat rate for a personal use chargeback than a straight mileage rate.
- More fleets than ever are now adding the personal use charge to the employee's income tax form as additional income.

Drug & Cosmetic Group

1) Personal Use Policies

The Drug and Cosmetics Group consists of 42 fleets operating 32,292 passenger cars (2,573 company-owned, 29,719 leased). These fleets estimate that personal use is 14 percent of the total mileage driven every year.

Every fleet in the group permits personal use of the company-provided car after working hours and on weekends and holidays. One fleet does not permit the car to be used for vacation travel. No fleet places a limitation on the number of personal miles that can be driven.

Only one fleet does not charge for personal use; 41 do have a chargeback system. Fourteen fleets have a straight mileage charge; 19 use a flat weekly or monthly charge, while nine fleets use a combination of methods for determining the chargeback. Among the fleets with a straight mileage charge, three each set the rate at nine and 12 cents a mile. One fleet each charges for gas only, 7½ cents, 8, 10, 13, 14, 15, and 20½ cents a mile.

Among the fleets with a flat personal use charge, there are these rates: $25 a month, four fleets; $35 and $50 a month two fleets. Other monthly charges (by one fleet each) are: $18 to $22 a month, $15, $20, $32.50, $31, $45 a month. Weekly charges include $5, $7, $15, and $20.

Fleets with a combination flat rate and mileage have these rates (all in one fleet each): $15 a month and six cents a mile after the first 250 miles; six cents a mile and $18 a month; $30 a month and nine cents a mile; $15 a month and seven cents a mile; seven cents a mile and $18 a month; $30 a month plus 10 cents a mile over 300 miles a month; $15 a month and seven cents a mile; $40 or $50 a month plus 7, 8, or 9 cents a mile depending on car driven. In one fleet the charge is $6.30 a week plus six cents a mile.

Business Use of Personal Car

Seven fleets in the Drug and Cosmetics Group increased their personal use chargebacks in 1984. A number of others say they will increase it in 1985. One fleet increased its charge from 11 to 20½ cents a mile "to meet the new tax law fair market value."

In collecting the personal use chargeback, 22 fleets use an expense report deduction; 12 have a salary deduction, while other systems are used by seven fleets. The most common is the addition of income to the employee's W-2 form. One fleet requires payment by personal check, while another deducts a portion of the charge from the expense report and adds another portion to the income statement.

"In collecting the personal use chargeback, 22 fleets in the Drug & Cosmetic Group use an expense report deduction; 12 have a salary deduction, while other systems are used by several fleets."

Every fleet in the group permits personal use by both the employee and spouse. In addition, 29 fleets allow licensed children to drive the company car, and seven fleets permit use by "others" living in the same household, although one fleet does specify that the employee has to be in the car at the time.

Fifteen fleets have a minimum age requirement for driving the company car. In eight fleets it is 21; in six it is 18, and in one fleet the minimum age is 25.

In 17 fleets some payment is required for repair costs resulting from accidents during personal use. In one fleet it is the full amount. Two fleets have a fixed share of the costs. In one fleet it is 25 percent of the cost up to a $500 maximum; in the other fleet it is $200. Six fleets assess a dollar amount which ranges from $100 to $1,000. Seven fleets require the employee to pay the "insurance deductible," which runs from a low of $50 to a high of $300.

Twenty-one fleets charge the employee with an accident if another person was driving the car when the accident occurred.

2) Car Assignment

Among the factors governing assignment of a company car, 33 fleets say it is "job title," eight have a mileage criterion, and eight report that the "fringe benefit" of the car is considered. The responses are more than the number of fleets because several responses checked more than one answer.

The fleets using business miles driven as the factor in car assignment have these minimums: 15,000 miles, two fleets, and one fleet each for 10,000, 12,000, 17,000, 24,000, and 30,000 miles per year.

3) Business Use of Personal Cars

In reimbursing an employee for use of a personal car for business (when there is no assigned fleet car) 20 fleets pay 20 cents a mile. Two fleets each 18½ and 20½ cents a mile. One fleet each pays 15, 17, 24, and 25 cents a mile. One fleet pays $250 a month plus actual gas costs, while another reimburses the driver a flat rate of $310 a month.

When an assigned fleet car is not in operation and use of a personal car is required, 24 fleets pay

(Contined on page 12)

Personal Use Survey Results

(Continued from page 11)

the employee 20 cents a mile. Five fleets pay 20½ cents a mile; three pay 18½, and one fleet each pays 24 and 25 cents a mile.

4) Compensation for Loss of Car

Eighteen fleets in the Drug and Cosmetics Group make a one time cash payment to an employee who loses eligibility for a company-provided car. In four fleets the payment is $4,000; in two fleets each it is $2,800 and $5,000. Other payments include $4,200, $4,500, $6,140, and $6,180. Four fleets that do make a cash payment report only that it "varies." Another fleet pays the employee $3,800. One fleet gives the employee $3,800 less taxes; another pays one-half the original capitalized cost, and one pays $1,400 plus $100 a month for two years.

Seventeen fleets offer to sell the car to an employee who no longer is eligible for one. In four fleets the price is set at "wholesale," another four fleets will sell the car at the depreciated book value. AMR is the guide for a number of fleets who sell to employees. In two fleets it is AMR clean; in two others it is AMR less mileage; in one it is AMR zone 1 clean, less 15 percent; in another it is AMR fair, and, finally, "if not needed, AMR." Other selling prices include $500 over book value; book value plus three months rent; Black Book; Black book clean or book value, whichever is higher.

Other compensation plans include giving the employee a choice of a cash payment equal to one-half of the yearly operating costs or selling the car at fair market value minus one-half of annual operating costs. Another fleet allows the employee to keep the car for two years with the imputed value reported as additional income.

Chemical & Petroleum Group

1) Personal Use Policies

The Chemical and Petroleum Group consists of 33 fleets operating 28,313 passenger cars (17,233 company-owned, 11,080 leased). Personal use among the fleets in this group amounts to 17 percent of total mileage driven.

Reimbursement For Use Of Personal Car Mileage Only

(No Assigned Fleet Car)

U.S. Commercial Fleets Only

Amount	1980	1981	1982	1983	1984
15¢ or less	3%	1%	2%	2%	1%
16, 17, 18, 19¢	43%	13%	15%	11%	10%
20¢	43%	68%	69%	72%	56%
20½¢	*	*	*	*	22%
21, 22, 23, 24¢	11%	17%	10%	12%	10%
25¢ or more	**	**	4%	3%	1%

Notes: *Not broken out in surveys for those years but included in "20 cents a mile" figure.

**Not broken out previously, but included in the "more than 20 cents a mile" percentage.

Reimbursement For Use Of Personal Car Mileage Only

(Assigned Fleet Car Not in Service)

U.S. Commercial Fleets Only

Amount	1980	1981	1982	1983	1984
15¢ or less	4%	3%	5%	2%	1%
16, 17, 18, 19¢	43%	15%	13%	9%	8%
20¢	43%	66%	68%	73%	56%
20½¢	*	*	*	*	23%
21, 22, 23, 24¢	11%	17%	11%	14%	9%
25¢ or more	*	*	3%	3%	3%

Note: *Not broken out in surveys for those years, but included in "more than 20 cents a mile" total.

Two fleets in the group do not permit any personal use of the company car; the other 31 fleets permit such use after working hours. Thirty fleets permit the car to be driven on weekends and holidays. While 24 permit it to be driven on vacations. Two fleets that permit personal use place specific limitations on such use. One fleet says the limit is 1,000 miles a year, while the other is more general and says the limit is "reasonable use."

Twenty-seven of the 31 fleets permitting personal use charge for it; four do not. Twelve fleets have a straight personal mileage charge; 12 have a flat weekly or monthly charge, while three use a combination method.

Three fleets charge 10 cents a mile for personal use; two charge 13 cents. Other mileage charges (in one fleet each) are: 7½ cents a mile, 9, 12, 15½, 16, 17, and 20½. Among the fleets with a flat rate, three each charge $30 and $50 a month; two charge $35 a month while one charges $100 a month. One fleet charges $77 a month for use of an eight-cylinder car and 10 cents a mile for a six-cylinder car.

The fleets with a combination chargeback set it at 12½ cents a mile and $50 a month; 10 cents a mile plus $35 a month, and $25 a month minimum or eight cents a mile.

Twelve fleets collect the personal use chargeback through an expense report deduction. Eight fleets use a salary deduction. Five fleets add the personal use charge to the employee's annual income. In one fleet the flat monthly rate is deducted from the salary, the mileage charge is paid by personal check. In another fleet, the flat rate is a salary deduction; the mileage charge is deducted from the expense report.

In three fleets only the employee is permitted to drive the company car; in the other 28 that permit personal use both the employee and spouse can use it. Twelve fleets permit licensed children to drive, and one fleet extends the driving privilege to "others" provided the employee is in the car.

(Continued on page 14)

Personal Use Survey Results

(Continued from page 12)

Five fleets have a minimum age requirement. In three of them it is 25; in the other two it is 18 and 21.

Nine fleets require the employee to pay for repair costs resulting from an accident during personal use. In two fleets it is the full amount of the repairs. In three fleets it is a dollar amount of either $50 or $100, while four fleets assess the "insurance deductible" — $100 or $250.

Nine fleets charge the employee with an accident if another person was driving the car when the accident occurs.

2) Car Assignment

In determining eligibility for a company car, business mileage driven is the most important factor in 16 fleets. Job title is the basis in 14 fleets, while "fringe benefit" is considered in four fleets. Two fleets say the car must be used for business 50 percent of the time for an employee to qualify.

Among the fleets that use mileage as a criterion for car assignment, six fleets set 12,000 miles a year as the business minimum. Five fleets set the requirement at 10,000 miles, while two fleets require 15,000 business miles a year. In one fleet each the minimum is 14,000, 20,000, and 25,000 miles a year.

3) Business Use of Personal Cars

In determining reimbursement for business use of a personal car (when the employee does not have a company car), 26 fleets use a straight mileage rate. In 13 fleets it is 20 cents a mile; in 10 the rate is 20½ cents a mile. One fleet each pays 11 cents plus gas, 17 cents, and 22½ cents a mile.

Three fleets use a sliding scale to reimburse employees for use of a personal car. In one fleet it is 20 cents a mile for the first 1,250 miles a month, then 11 cents a mile; in another it is 20½ cents for the first 15,000 miles a year, 11 cents a mile thereafter; another pays 20 cents a mile for the first 900 miles a month and 11 cents for additional mileage. One fleet uses a combination method of $150 a month plus 20 cents a mile.

When an assigned fleet car is not in operation and a personal car is used for business, every fleet in the group reimburses the employee on a straight mileage basis. In 14 fleets the rate is 20 cents a mile; in 10 fleets it is 20½ cents. One fleet each pays 10 cents plus gas; 11 cents plus gas; 17 cents, and 22½ cents a mile.

Personal Use Chargebacks
For Fleets Using A Straight Mileage Charge
U.S. Commercial Fleets Only

Amount	1980	1981	1982	1983	1984
7½¢ or less	14%	2%	3%	3%	1%
8, 9, 10¢	44%	43%	45%	28%	28%
11, 12, 13, 14¢	42%	55%	51%	43%	30%
15¢ or more	*	*	*	26%	34%

Note: *Not broken out in these surveys, but included in the "more than 10 cents a mile" category.

4) Compensation for Loss of Car

Only two fleets in the group make a one time cash payment to an employee who is no longer eligible to drive a company car. The payments are $6,000 and $6,580. Six fleets permit the employee to purchase the car he has been driving. Two fleets charge the wholesale value. In one fleet the car is sold at "book value;" another fleet will sell the car at "book value or one-half AMR." "AMR clean less mileage" is the price quoted by one fleet, while one sells the car at "80 percent of wholesale or undepreciated book value, whichever is higher."

Food & Beverage Group

The Food and Beverage Group consists of 38 fleets operating 21,811 passenger cars (10,999 company-owned, 10,812 leased). Every fleet in the group permits personal use of the company car; only one does not permit it to be driven on vacations. Personal use in this group amounts to 18 percent of the total annual mileage, according to those fleets reporting this statistic.

Five fleets in the Food and Beverage Group place a limit on personal mileage. In two fleets it is 100 miles a week; in two others the limit is 5,000 miles a year. The fifth fleet did not specify its limitation.

"Five fleets in the Food & Beverage Group place a limit on personal mileage. In two fleets it is 100 miles a week; in two others the limit is 5,000 miles a year."

Thirty-four of the 38 fleets in the group charge for personal use of the company-provided vehicle; four do not. Of those that charge, nine have a straight mileage charge; 18 have a fixed weekly or monthly charge, while seven use a combination of both. Among the fleets with a mileage charge, three set it at 10 cents a mile; one each 20 cents a mile, 20½ cents a mile, 23 cents a mile. One fleet charges 10 cents a mile after 50 "free" miles a month; another charges 14 cents a mile for trips over 100 miles. One fleet in the group offers an option: 7 or 9 cents a mile or ½ or ¾ percent of the capitalized cost monthly. One fleet reported it charged a "fair market rent," but did not elaborate on what it was.

Among the fleets with a flat rate, two fleets each charge $50 and $46 a month. Other flat charges mentioned (by one fleet each) were: $25, $60 or $80 a month depending on type of car; $20 or $40 a month; $40 or $60 a month; $50 or $100 a month;

(Continued on page 16)

Personal Use Survey Results

(Continued from page 14)

$40 a month; $100 a month; $28 a month; $35 a month; $6 a week; $22 a week; $350 a year, and $500 a year.

Those fleets who use a combination charge for personal use have these rates (in one fleet each): 10 cents a mile and $7 a week; 10 cents a mile and $5.25 a week; 16 cents a mile plus $10 every four weeks; 9 cents a mile for "extended use" and $50 a month; $50 a month and 10 cents a mile after 100 miles in a month, and 10 cents a mile plus $20 a month.

Nine fleets in the Food and Beverage Group collect the personal use chargeback by means of an expense report deduction; 19 collect it by means of a salary deduction. Other methods of payment cited by the companies in the group include "driver pays $150 every three months;" three fleets add the charge to the employee's annual income as reported on the W-2 form; one fleet said, "employees pay mileage as incurred," while another reported, "we collect 10 cents a mile from the expense report and than add 10 cents a mile additional income to the employee's W-2."

"Sixteen fleets in the Food & Beverage Group assess the employee for repair costs resulting from accidents incurred during personal use."

Ten fleets in the group reported they had increased their personal use charge during 1984 and several others indicated they would raise the rates again in 1985 "as a result of the new tax law."

In two fleets only the employee is permitted to drive the company-provided car. In the others, the employee and spouse are given personal driving privileges. Twenty fleets permit "licensed" children to use the company car, and four fleets extend the driving privilege to "others" living in the same household.

Fifteen fleets have a minimum age for driving privileges. In one fleet each it is 17, 20 and 25. In six fleets the minimum age is 18, while in five others it is 21.

Sixteen fleets in the Food and Beverage Group assess the employee for repair costs resulting from accidents incurred during personal use. One fleet charges the full amount of the repairs; six have a dollar amount ranging from a low of $50 to a high of $500. One fleet said it charges "20 percent of the repair cost or $250, whichever is higher."

Nine fleets charge the driver the "insurance deductible" for repairs required after an accident during personal use. This ranges from a low of $100 (four fleets) to a high of $500. One fleet says it only makes the charge for a second accident.

Twenty-three of the 38 fleets in the group say they charge the employee with an accident if another person was driving the car when the accident occurred. Several of these fleets say such a charge is levied only when an "unauthorized" person was driving the cars.

2) Car Assignment

In response to the question, "what factors govern assignment of a company-provided car," 11 fleets said miles driven; 26 said it was "job title," while five said "fringe benefit" was a factor in company car assignment. The total response is higher than the number of fleets in the group because several respondents checked more than one factor.

"When the employee does not have a company car, the majority of fleets in the Food & Beverage Group reimburse him for business use of a personal car by a straight mile rate."

Of those fleets using miles driven as the criteria, three each set the minimum at 12,000 and 15,000 miles a year; two fleets use 10,000 miles as the eligibility level; while one each uses 17,500, 20,000, and 25,000 miles.

3) Business Use of Personal Cars

In discussing the policies dealing with the business use of personal cars, there are two aspects: 1) when the employee does not have an assigned fleet car, and 2) when the company car is not in service.

When the employee does not have a company car, the majority of fleets reimburse him for business use of a personal car by a straight mile rate. In 12 fleets it is 20 cents a mile; in nine fleets the rate is 20½ cents a mile. Two fleets each pay 18 and 23 cents a mile, while one each pays 15 and 21 cents a mile. Three fleets pay a flat rate plus mileage. The combinations are $300 a month and five cents a mile; $260 a month plus nine cents a mile, and $155 a month and 12 cents a mile. One fleet pays a flat $380 a month, while another pays 20 cents a mile for the first 12,000 miles, 18 cents a mile for additional mileage.

In those cases where a company-assigned car is not in operation and the employee drives his personal car, all but one fleet in the group reimburses him on a mileage basis. The exception is one fleet that pays $7 a day. Sixteen fleets pay 20 cents a mile; 10 fleets pay 20½ cents a mile. Two fleets reimburse the employee 23 cents a mile, while one fleet each pays 15, 18½, 21, and 22 cents a mile.

4) Compensation for Loss of Car

When an employee loses eligibility for use of a company car, eight fleets in the Food and Beverage Group offer a one time cash payment to the

(Continued on page 18)

Personal Use Survey Results

(Continued from page 16)

employee. In two fleets the payment is $4,000. In one fleet each the payment is $2,000, $2,300, and $5,000. One fleet pays the employee $300 a month for temporary loss of the car for additional training. In one fleet the car "is given to the employee," while one fleet offers the employee "two months pay — up to $6,000."

Nine fleets in the group will sell the company car to the employee who loses eligibility for it. Two fleets set the price at "fair market value." Other prices mentioned included 90 percent low Blue Book; wholesale with an interest free loan; book value; 90 percent of AMR; net wholesale, and AMR.

Insurance Group

1) Personal Use Policies

The Insurance Group consists of 59 fleets operating 36,800 passenger cars (19,783 company-owned, 17,017 leased). Fleets in the group report that personal use accounts for 20 percent of the total mileage their cars are driven.

Fifty-eight of the 59 fleets in the Insurance Group permit personal use of the company-provided car. One fleet limits the use to "commuting," two fleets ban its use on weekends and holidays, and four fleets do not permit the company car to be driven on vacations.

Ten fleets in the group place some limitations on the amount of personal use permitted. Some of the specific limitations mentioned include "cannot exceed 49 percent of the total mileage;" "6,500 miles a year," "10 percent of business mileage;" "reasonable (in our judgement);" "commuting miles only;" "1,000 a month;" "1,000 miles when on vacation," and "50 mile radius of their home."

Two fleets in the group do not charge for personal use, the other 56 that permit personal use do have a chargeback system. Twenty fleets use a straight mileage charge. Three fleets each charge 14 and 20½ cents a mile. Two fleets each charge 15 and 16 cents a mile, while one fleet each charges 9, 10, 11, 12, 12½, 13, 17, and 20 cents a mile.

Among the fleets with a flat rate, five fleets charge $50 a month; three charge $30 a month. Other monthly charges (by one fleet each) include $35, $37.50, $39, $40, $45, $55, $60, $75. One fleet's charge ranges from $40 to $60 a month depending on size of car, while another's charge ranges from $85 to $200 a month. Weekly charges (again by one fleet each) are $12 a week and $20 a week. One fleet charges $520 a year, while another's charge is "25 percent of the total car cost."

Fifteen fleets in the Insurance Group use a combination chargeback system. These chargebacks include six cents a mile and $15 a month; $10 a week and 15 cents a mile over 6,500 miles a year; nine cents a mile with $650 added to the employee's W-2 form; $684 implied annual income added to W-2; nine cents a mile over 600 miles a month plus $650 added to W-2; nine cents a mile plus $30 a month; 15 cents a mile and $60 a month; $50 a month plus 12 cents a mile over 600 miles a month; $35 a month plus gasoline costs on vacation; $39 a month plus 13 cents a mile over 300 miles a month; $15 a month plus five cents a mile; $43.25 a month plus 10 cents per mile for trips over 200 miles; 10 cents a mile and $20 a month, $19 a month and 15 cents a mile, and $42 a month plus 14 cents a mile.

(Continued on page 20)

Summary of Survey Responses

Industry Group	Number of Fleets	Company Owned Cars	Leased Cars	Total
Food & Beverage	38	10,999	10,812	21,811
Manufacturing-Consumer	40	6,389	13,753	20,142
Insurance	59	19,783	17,017	36,800
Chemical & Petroleum	33	17,233	11,080	28,313
Drug & Cosmetics	42	2,573	29,719	32,292
Manufacturing-Industrial	63	14,283	44,342	58,625
Other	32	2,604	9,318	11,922
U.S. Commercial Total	307	73,864	136,041	209,905
Public Utility	21	22,620	569	23,189
Government	32	18,764	204	18,968
Canada	47	4,900	7,731	12,631
Grand Total	407	120,148	144,545	264,693

Personal Use Survey Results

(Continued from page 18)

Twenty-eight fleets in the Insurance Group collect for personal use by means of an expense report deduction; 17 use a salary deduction, while 11 use other methods of collecting the chargeback. In most of these fleets the personal use chargeback was added to the employee's W-2 form as additional income. In one fleet the employee pays for personal use by a check to the company.

Sixteen fleets said they increased their personal use chargeback in 1984. The majority of them staying with their current system, but increasing the amount. However, one fleet switched from a flat rate to 20½ cents a mile, while another went from a mileage charge to a flat rate.

In four fleets personal use is restricted to the employee only; in the other 54 fleets permitting personal use both the employee and spouse can use the company car. Twenty-four fleets permit licensed children to drive, and six extend the driving privilege to "others" in the same household.

"Among the fleets in the Insurance Group, using mileage as a criterion for assigning a company car, eight say the minimum requirement is 12,000 business miles a year."

Minimum age requirements for driving the company car are set by 11 fleets. Two fleets each set the minimum age at 18, 21, and 25 years. One fleet each has a minimum age of 20 and 26.

Twenty-two fleets in the Insurance Group charge the employee for repair costs resulting from an accident occurring during personal use. One fleet charges the full amount; 11 have a dollar payment ranging from a low of $50 to a high of $300. The most frequently mentioned figure is $100. Ten fleets assess the "insurance deductible" as the charge. This ranges from a low of $100 to a high of $250.

Thirty fleets say they "charge" the employee with an accident if another person was driving the car when the accident occurred; 27 do not enter such a charge on the employee's record.

2) Car Assignment

Thirty fleets in the group cite "job title" as the major factor in assigning company cars; 25 say they use mileage driven, while nine fleets say the "fringe benefit" of the car is a factor in its assignment to an employee.

Among the fleets using mileage as a criterion for assigning a company car, eight say the minimum requirement is 12,000 business miles a year. Six fleets set the minimum at 15,000 miles, while three fleets each use 10,000 and 18,000 miles. Other mileage requirements mentioned include (each by one fleet) 6,000 miles, 7,500, 8,000, 8,500, and 22,000 miles a year.

3) Business Use of Personal Cars

In reimbursing an employee for business use of a personal car (when there is no assigned company car) most fleets use a straight mileage payment. In 24 fleets the rate is 20 cents a mile. Eight fleets pay 20½ cents a mile; two pay the employee 23 cents a mile. Other reimbursement rates include (by one fleet each) 17 cents, 17 cents plus gas, 18, 18½, 19, 21½, and 22 cents a mile.

"Twenty-one fleets in the Insurance Group makes a one-time cash payment to compensate an employee for loss of eligibility for a company-assigned vehicle."

Five fleets reimburse the employee on a sliding scale: 20½ cents a mile for the first 15,000 miles, then 11 cents a mile; 22 cents a mile for the first 7,000 miles, then 18 cents a mile; 24 cents for the first 10,000 miles, 19 cents for the next 5,000, then 16 cents a mile for any additional mileage; 24 cents for 1,000 miles, then nine cents for additional driving, and 16 cents for the first 700 miles in a month, plus 10 cents a mile for the balance.

Two fleets reimburse the driver of a personal car on a combination basis. In one fleet the rate is $22 a week plus 20 cents a mile; in the other fleet it is nine cents a mile plus $25 a month.

In reimbursing an employee for business use of a personal car when an assigned fleet car is not in operation, every fleet uses a straight mileage method of payment. In 24 fleets the rate is 20 cents a mile; in 11 fleets the rate is 20½ cents, while in two fleets each the rate is 18 and 18½ cents a mile. One fleet each reimburses the employee at these rates: 16 cents a mile, 17, 19, 21, 21½, 22, 23, and 26 cents a mile.

4) Compensation for Loss of Car

Twenty-one fleets in the Insurance Group make a one-time cash payment to compensate an employee for loss of eligibility for a company-assigned car. In six fleets the payment is $1,500; four fleets pay $2,000; two fleets each pay $1,600; $1,800; and $2,500. One fleet each pays the employee $1,000, $1,200 and $7,500. One fleet gives the employee $2,000 when the car is re-assigned and another $1,000 a year later if the employee is still working for the company. The payment by another company is two-thirds of a month's salary.

One fleet permits the employee to keep the car until its scheduled replacement; then offers to sell it with a three year interest free loan. Another company offers the employee three options: continue using the car for six months; lease the car at the company's current rate for a year, or get a cash bonus.

(Continued on page 22)

Personal Use Survey Results

(Continued from page 20)

Thirteen fleets offer to sell the car to the employee. The price at which the company will sell the car includes: in four fleets, AMR; in three fleets, the wholesale value; in two fleets each, AMR less 15 percent and "book value." Other prices are Blue Book less $200; ½ market value; 90 percent of AMR less mileage; NADA wholesale, or AMR or book value, whichever is higher.

Manufacturing-Consumer Group

1) Personal Use Policies

The Manufacturing Consumer Group consists of 40 fleets operating 20,142 passenger cars (6,389 company-owned, 13,753 leased). Every fleet in the group permits personal use of the company provided car after working hours, on weekends and holidays, and for vacation travel. Personal use amounts to 18 percent of the total mileage driven by these fleets.

Four fleets place some limitations on personal use. They include 600 free miles for vacation travel and then a 10 cent a mile charge; 200 miles a month; use only within a 350-mile radius of the division point. One fleet says personal use must be "reasonable."

Thirty-two of the 40 fleets in the group charge for the personal use of the company car. Ten fleets have a personal mileage charge; 18 have a flat weekly or monthly charge, while one uses a combination of both methods. The mileage charges in two fleets each are 10 and 11 cents a mile. One fleet each charges 12, 13, 14, 20, and 20½ cents a mile. Another fleet that charges 20 cents a mile deducts 13 cents from the employee's expense account and adds seven cents a mile to his W-2 form as additional income. The one fleet using a combination charge sets it at 10 cents a mile plus $21 a month.

"When an employee is required to use a personal car because the company car is not operating, 20 fleets in the Manufacturing-Consumer Group reimburses the employee at 20 cents a mile..."

Among the fleets with a flat chargeback rate, three each charge $30 and $40 a month. Two fleets charge $45 a month. Other monthly charges include (in one fleet each): $20, $25, $33, $50, and $150 a month. Weekly charges (in one fleet each) are: $3, $10, $11, and $11.50.

Four fleets reported they increased their personal use chargebacks in 1984; a number of others said they plan to raise them in 1985.

Of the 32 fleets that charge for personal use, 15 collect the chargeback through an expense report deduction; 12 collect it through a salary deduction, while five use other methods. Four of these five fleets add the personal use chargeback to the employee's income on the W-2 form at the end of the year; the fifth fleet requires the employee to pay for such use by personal check.

Four fleets in the Manufacturing-Consumer Group permit only the employee to drive the company car. The other 36 fleets permit both the employee and spouse to use the car, while 19 extend the driving privilege to children of the employee. Four fleets permit personal use by "others" in the same household.

Nineteen fleets have a minimum age requirement for use of the company car. In seven fleets the minimum age is 21; in four fleets each it is 18 and 25 years. One fleet only requires the driver to be "licensed" and in another the minimum age is set at 16.

"When an employee is no longer eligible for a company car, four fleets in the Manufacturing-Consumer Group make a one time cash payment as reimbursement for loss of the car."

A portion of the repair costs resulting from accidents that occur during personal use is borne by the employee in 13 fleets. Four of them have a fixed dollar amount ranging from a low of $50 to a high of $350. In nine fleets the employee's share of the repair costs is the "insurance deductible" which ranges from a low of $100 to a high of $500, with $250 being the most commonly cited amount charged to the employee.

2) Car Assignment

In response to the question "what factors govern the assignment of company cars," 11 fleets said "mileage driven;" 29 said "job title," while 10 mentioned "fringe benefit." The number of responses is higher than the number of fleets in the group because several fleets indicated that more than one factor is considered.

Of the 11 fleets citing mileage driven, three set the minimum business miles at 15,000 a year, while two each say it is 10,000, 18,000, and 20,000 miles. In one fleet the requirement is 16,900 miles a year, while in the other it is 30,000 business miles.

3) Business Use of Personal Cars

There are two situations that may exist in reimbursing employees for business use of a personal car — no assigned company car, or the assigned car is not in operation.

When there is no assigned company car, 29 fleets in the Manufacturing-Consumer Group reimburse the employee for use of the personal car on a straight mileage basis. Fifteen fleets pay 20 cents a mile; six pay 20½ cents a mile. Two fleets pay the employee 22½ cents a mile, while one each reimburses at the rate of 15, 18, 22, 32, and 33 cents a mile.

(Continued on page 24)

Personal Use Survey Results

(Continued from page 22)

Three fleets in the group reimburse the employee on a cash payment and mileage basis. One fleet each pays 10 cents a mile and $155 a month; 12½ cents plus $330 a month; 14 cents a mile and $240 a month. One fleet pays a flat rate of $350 a month.

When an employee is required to use a personal car because the company car is not operating, 20 fleets reimburse the employee at 20 cents a mile; five pay 20½ cents a mile. Other rates are (in one fleet each): 10 cents, 18, 19, 22, 22½, 24, 25, and 33 cents a mile.

One fleet pays the employee 32 cents a mile for the first 900 miles driven, then 18 cents for the remaining mileage. Another fleet pays 14 cents a mile plus $250 a month.

4) Compensation for Loss of Car

When an employee is no longer eligible for a company car, four fleets in the Manufacturing-Consumer Group make a one time cash payment as reimbursement for loss of the car. The payments are $2,000, $3,000, $4,500, and $5,500.

Six fleets in the group offer to sell the car the employee is driving. Two will sell it at "fair market value," while one each set the price at 75 percent of wholesale, book value, 90 percent of AMR, and wholesale. In addition, one fleet says it allows the employee to keep the car for six months to a year, while one other fleet says the "employee can keep the car."

Manufacturing-Industrial Group

The Manufacturing-Industrial Group consists of 63 fleets operating 58,625 passenger cars (14,283 company-owned, 44,342 leased). According to the participating fleets, personal use accounts for 18 percent of the total mileage driven in a year.

1) Personal Use Policies

Sixty-two of the 63 fleets in the group permit personal use of the company-provided car after

PERSONAL USE SURVEY SUMMARY

	Insurance (59)		Food & Beverage (38)		Drug & Cosmetics (42)		Mfg. Industrial (63)		Mfg. Consumer (40)		Chemical & Petroleum (33)		Others (32)		U.S. Comm. (307)		Public Utility (21)		Government (32)		Canada (47)	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Personal Use Permitted	58	1	38	—	42	—	62	1	40	—	31	2	30	2	301	6	10	11	11	21	45	2
After Work	57	1	38	—	42	—	62	—	40	—	31	—	30	—	300	1	9	1	10	1	45	—
Weekends	56	2	38	—	42	—	62	—	40	—	30	1	28	2	296	5	9	1	6	5	45	—
Vacations	54	4	37	1	41	1	60	2	40	—	24	7	27	3	283	18	5	5	1	10	44	1
Limits on Personal Use	10	48	5	33	—	42	7	55	4	36	2	29	3	27	31	270	3	7	4	7	7	38
Charge For Personal Use	56	2	34	4	41	1	56	6	32	8	27	4	25	5	271	30	10	—	5	6	32	13
Mileage Charge	20	—	9	—	14	—	20	—	10	—	12	—	9	—	94	—	3	—	5	—	6	—
Flat Rate	21	—	18	—	19	—	26	—	18	—	12	—	6	—	120	—	5	—	—	—	19	—
Both or Other	13	—	7	—	8	—	8	—	1	—	2	—	10	—	49	—	2	—	—	—	7	—
Charge Collected By:																						
Expense Report	28	—	9	—	22	—	27	—	15	—	12	—	11	—	124	—	1	—	—	—	9	—
Salary Deduction	17	—	19	—	12	—	21	—	12	—	8	—	8	—	97	—	6	—	1	—	17	—
Both or Other	11	—	6	—	7	—	6	—	5	—	6	—	6	—	47	—	3	—	4	—	6	—
Use Permitted by:																						
Employee Only	4	—	2	—	—	—	2	—	4	—	3	—	5	—	20	—	6	—	11	—	—	—
Employee & Spouse	54	—	36	—	42	—	60	—	36	—	26	—	25	—	279	—	4	—	—	—	45	—
Employee & Children	24	—	20	—	29	—	30	—	19	—	12	—	14	—	148	—	3	—	—	—	32	—
Employee & Others	6	—	4	—	7	—	4	—	4	—	1	—	2	—	28	—	—	—	—	—	4	—
Age Limits Set	11	46	15	23	14	28	32	30	19	21	5	24	12	18	108	190	2	8	—	11	20	24
Repair Costs Paid For																						
By Employee	22	36	16	22	17	25	28	32	13	27	9	20	12	18	117	180	1	9	—	11	23	22
Full Amount	1	—	1	—	1	—	1	—	—	—	2	—	—	—	6	—	—	—	—	—	—	—
Fixed Share	—	—	—	—	2	—	—	—	—	—	—	—	—	—	2	—	—	—	—	—	1	—
Dollar Amount	11	—	6	—	6	—	12	—	4	—	3	—	4	—	46	—	—	—	—	—	6	—
Insurance Deductible	10	—	9	—	7	—	14	—	9	—	4	—	8	—	61	—	1	—	—	—	16	—
Accident Charged	30	27	23	15	21	21	33	28	18	22	9	20	13	17	147	150	5	5	2	9	18	27
Increased Charge in 1984	16	36	10	23	7	35	14	39	4	24	2	22	2	23	55	202	—	9	—	5	4	28